

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AS-01 AGR-10 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

ITC-01 TRSE-00 PRS-01 SP-02 OMB-01 FEA-01 OES-06

ERDA-07 /104 W

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P R 121815Z MAY 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 5603

USIA WASHDC PRIORITY

INFO BEGLCA/AMEMBASSY SANTIAGO 3979

AMEMBASSY MEXICO CITY

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO PRIORITY

AMEMBASSY PANAMA

UNCLAS SECTION 1 OF 2 BRASILIA 4183

STATE PASS TO TRSY/JPSMITH

PASS SECRETARY SIMON'S PARTY

USINFO FOR IBS/PL AND IPS/PL

USIA FOR ILHA AND IOP

PANAMA PASS VOA/ORTIZ

E.O. 11652: N/A

TAGS: OVIP (SECRETARY WILLIAM SIMON)

SUBJECT: SECRETARY SIMON VISIT TO BRAZIL

REF: BRASILIA 4152

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AS PROMISED IN REFTEL FOLLOWING IS ENGLISH-LANGUAGE TRANSLATOR'S

VERSION OF SIMONSEN'S OPENING REMARKS AT PRESS CONFERENCE
IN BRASILIA MAY 11.

1. GENTLEMEN OF THE PRESS, YOU WILL BE RECEIVING SHORTLY
THE FINAL COPY OF THE JOINT COMMUNIQUE AND WE WOULD LIKE
TO READ IT AND I'D LIKE YOU TO FOLLOW IT WITH ME. THERE
ARE COPIES IN BOTH ENGLISH AND IN PORTUGUESE. I WILL BE
READING AND REFERRING TO THE PORTUGUESE COPY.

2. THE FOURTH PARAGRAPH SAYS THAT WE HAVE ANNOUNCED OUR
INTENTION TO ADJUST BRAZILIAN EXPORT INCENTIVES IN ORDER
TO AVOID ANY BARRIERS TO THE INCREASE OF BRAZILIAN EXPORTS.

3. THE NEXT PARAGRAPH SPEAKS OF OUR SATISFACTION ABOUT THE
DECISION MADE BY PRESIDENT FORD TO ADD NO MORE RESTRICTIONS
ON THE FOOTWEAR IMPORTS COMING FROM BRAZIL, OTHER THAN THOSE
IN THE ESCAPE CLAUSE. AS TO THE COUNTERVAILING DUTIES,
WHICH WERE THE MAJOR PROBLEM THAT WE HAVE FOUND BEFORE,
THESE DUTIES WERE IMPOSED IN 1974, AND THEY WERE 4.8 PERCENT FOR
THOSE EXPORTERS WHO EXPORTED MORE THAN 40 PERCENT OF THEIR
PRODUCTION AND 12.3 PERCENT TO THOSE WHO EXPORTED LESS THAN 40 PERCENT

OF THEIR PRODUCTION. THIS COULD ONLY HAVE BEEN ELIMINATED
THROUGH THE TRADE ACT IF WE ALSO STIPULATED QUANTITATIVE
LIMITATIONS TO OUR EXPORTS, WHICH IS NOT IN OUR INTEREST.
SO, INSTEAD OF DOING THAT, WE HAVE DECIDED TO ESTABLISH
OTHER MECHANISMS FOR INCENTIVES, AND THUS, WE HAVE OBTAINED
FREEZING OF THE CURRENT DUTIES IMPOSED ON BRAZILIAN FOOT-
WEAR UNTIL NEXT YEAR. AND THIS HAS GIVEN BETTER SECURITY
TO THE FOOTWEAR INDUSTRY BECAUSE THEY CAN BE ASSURED THAT
THERE WILL BE NO INCREASE IN TAXATION IN THESE COUNTER-
VAILING DUTIES UNTIL NEXT YEAR.

4. THE FOLLOWING PARAGRAPH TALKS ABOUT THE GRADUAL
ADAPTATION OF OUR INCENTIVE POLICIES AND FROM JULY 1 ON
THERE WILL BE A REDUCTION ON THE DUTY IMPOSED FROM 24 TO
16 PERCENT. WE ALSO WILL OBTAIN A WAIVER AS FAR AS THE
COUNTERVAILING DUTIES ARE CONCERNED, ALSO BEGINNING JULY 1,
AND THIS IN RESPECT TO BRAZILIAN LEATHER HANDBAGS AND
LEATHER GOODS. THIS WILL BE EFFECTIVE JULY 1.

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5. THE DUTIES ARE GOING TO BE WAIVED, THE INCENTIVES GOING
TO BE GRADUALLY BROUGHT DOWN ACCORDING TO A CERTAIN SCHEME
THAT WE HAVE AGREED UPON. THE FIRST STEP OF REDUCTION OCCURS
ON THE FIRST OF JULY FROM A TOTAL OF 24 PERCENT TO 16
PERCENT.

6. THE FOLLOWING PARAGRAPHS CONCERN THE INCENTIVES TO THE

FACTOR OF SOYBEAN OIL. THERE WAS A DANGER OF SOME ACTION DUE TO ARTICLE 301 IN THE TRADE ACT, SO WE HAVE DECIDED ALSO TO ADAPT OUR INCENTIVE PROGRAM SO THAT WE DO NOT FALL INTO THE PROBLEMS IN ARTICLE 301 IN THE TRADE ACT.

7. THE FOLLOWING PARAGRAPH MENTIONS THE POSSIBILITY OF FUTURE COUNTERVAILING DUTIES BEING IMPOSED. THIS HAS TO BE STUDIED NOT FROM A GENERAL AND BROAD POINT OF VIEW BECAUSE WE DO NOT HAVE A GENERAL SOLUTION FOR EVERYTHING. CASES HAVE TO BE STUDIED INDIVIDUALLY BECAUSE SOMETIMES OUR EXPORTS ARE NOT DIRECTED TO THE US, AS IN THE CASE OF THE CASTOR OIL WHICH WAS NOT DISCUSSED DURING OUR CONVERSATIONS BECAUSE THEY ARE JUST A SMALL PART OF OUR EXPORTS TO THE STATES. WE HAVE ESTABLISHED IN THIS COMMUNIQUE A CONSULTATING MECHANISM WHICH IS EXTREMELY IMPORTANT BECAUSE IT GUARANTEES TO OUR INDUSTRY THAT ANY AGREEMENTS MADE IN THE FUTURE WILL BE GRADUAL AND THEY WILL BE DISCLOSED PRIOR TO BEING ASSIGNED TO THE INDUSTRIES SO AS TO AVOID UNCERTAINTIES ON THE PART OF BRAZILIAN EXPORTERS. AND WE BELIEVE THAT THIS CONSULTATING MECHANISM IS ONE OF THE MOST IMPORTANT PARTS OF OUR JOINT COMMUNIQUE.

8. THE FOLLOWING PARAGRAPH IS SELF-EXPLANATORY BECAUSE WE ARE THE TWO LARGEST SOYBEAN EXPORTERS IN THE WORLD. THIS DOES NOT MEAN THAT WE INTEND TO CREATE A SOYBEAN OPEC TYPE ORGANIZATION.

9. THE FOLLOWING PARAGRAPH MENTIONS THE IMPORTANT POINT, WHICH IS AN INVESTMENT MEASURE, IN ORDER TO AVOID DOUBLE TAXATION BETWEEN THE US AND BRAZIL. OBVIOUSLY, A MATTER OF THIS NATURE, OF SUCH IMPORTANCE, WOULD DEMAND THOUSANDS OR HUNDREDS OF TECHNICAL DETAILS SO THAT WE COULD

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ESTABLISH A TREATY, AND THIS COULD NOT BE DONE OBVIOUSLY IN ONE WEEK. BUT WE HAVE DECIDED, THEREFORE, TO HAVE SPECIALISTS ON THE SUBJECT MEET IN ORDER TO ACCELERATE THE ESTABLISHMENT OF SUCH A TREATY.

10. WELL, THE FOLLOWING PARAGRAPH MENTIONS THE DISCUSSIONS THAT SECRETARY SIMON HAD YESTERDAY WITH THE BRAZILIAN MINISTERS IN THE ECONOMIC AREA, WHERE WE TALKED ABOUT THE BASIC PROGRAMS FOR THE DEVELOPMENT OF THE BRAZILIAN ECONOMY. THESE PROGRAMS WERE EXPLAINED TO THE SECRETARY AND HE STATED THAT HE WILL, ON GOING BACK TO THE UNITED STATES, CALL ATTENTION OF THESE PROGRAMS IN THE NORTH AMERICAN BUSINESS COMMUNITY.

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DODE-00 EB-07 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

ITC-01 TRSE-00 PRS-01 SP-02 OMB-01 FEA-01 OES-06

ERDA-07 /104 W

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P R 121815Z MAY 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 5604

USIA WASHDC PRIORITY

INFO AMEMBASSY SANTIAGO

AMEMBASSY MEXICO CITY

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO PRIORITY

AMEMBASSY PANAMA

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11. THE FOLLOWING PARAGRAPH EXPLAINS A DECISION ON THE PART OF SECRETARY SIMON AND MYSELF TO WORK JOINTLY IN COOPERATION IN ORDER TO FACILITATE THE JOINT WORK OF AMERICAN AND BRAZILIAN COMPANIES, ALONG WITH OIL PRODUCING COUNTRIES, IN ORDER TO IMPROVE THE DEVELOPMENT OF STUDIES AND INVESTMENTS WHICH WILL BENEFIT NOT ONLY BRAZIL BUT OTHER COUNTRIES ALSO.

12. NEXT, THE FOLLOWING PARAGRAPH SUMMARIZE OUR IDEAS ON THE BALANCE OF PAYMENTS OF BRAZIL AND THE MEASURES THAT WE WILL BE TAKING TO IMPROVE THIS BALANCE OF PAYMENTS AND TO DECREASE THE DEFICIT IN OUR TRADE BALANCE WITH THE UNITED STATES BY MEANS OF INCREASING OUR EXPORTS. THE FOLLOWING IS EXTREMELY IMPORTANT, BECAUSE IT WAS SAID BY SECRETARY SIMON AND NOT BY MYSELF, SO YOU CAN TAKE HIS WORD FOR IT: SECRETARY SIMON SAID THAT IN HIS OPINION THE ECONOMIC

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PROSPECTIVES FOR BRAZIL ARE STILL HIGHLY FAVORABLE. HE ADDED ALSO THAT IT WAS HIS IMPRESSION THAT THE BRAZILIAN ECONOMIC POLICY WILL BE EFFECTIVE IN ITS GOAL TO OBTAIN A GREATER STABILITY IN PRICES AND EQUILIBRIUM IN THE BALANCE OF PAYMENTS OF BRAZIL, AND THIS EFFORT DESERVES THE CONFIDENCE AND THE TRUST OF FOREIGN INVESTORS IN THE FINANCIAL INSTITUTIONS.

13. THE FOLLOWING PARAGRAPH MENTIONS THE INTERNATIONAL FINANCIAL SITUATIONS, THE FINANCIAL MARKET THROUGHOUT THE WORLD, ITS POLICIES AND PERSPECTIVES--AND FINANCIAL INSTITUTIONS, THE PROSPECTS FOR THE FUTURE, ESPECIALLY THE WORLD BANK.

14. THE FOLLOWING PARAGRAPH MENTIONS THE MECHANISMS ESTABLISHED FOR COOPERATION WITHIN THE CONTEXT OF THE MEMORANDUM OF UNDERSTANDING THAT WAS SIGNED ON FEBRUARY 21, 1976, DURING THE VISIT OF SECRETARY KISSINGER TO BRAZIL. AND IT MENTIONS THE CONSULTATIVE COMMITTEE THAT SHOULD BE ESTABLISHED BETWEEN THE SECRETARY OF THE TREASURY AND OUR MINISTRY, AND IT WILL BE CO-CHAIRLED BY SECRETARY SIMON AND MYSILF, OBVIOUSLY WITH THE AID OF EXPERTS FROM BOTH THE SECRETARIATE OF TREASURY AND THE MINISTRY OF FINANCE.

15. THE NEXT PARAGRAPH IS THE LAST PARAGRAPH AND IT CONCLUDES THE JOINT COMMUNIQUE IN THE USUAL MANNER, AND IT IS QUITE SUBSTANTIVE. IT MENTIONS THE SUBSTANTIVE TOPICS OF OUR CONVERSATIONS DURING THESE DAYS AND THE PROGRESS THAT WE HAVE REACHED IN OUR CONVERSATIONS.

16. I BELIEVE I HAVE TALKED TOO MUCH ALREADY, I THINK THE COMMUNIQUE IS QUITE SUBSTANTIVE AND I WOULD LIKE NOW TO PASS THE FLOOR TO SECRETARY SIMON.
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